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CONCERN OVER THE SHORT-TERM OUTLOOK CONTINUES TO MOUNT

Evidence of a weakening economy in Pennsylvania continues to accumulate. With each passing month, it becomes more apparent that the economic recovery, which began in, roughly, 1983 in the Commonwealth, is in danger. Perhaps the most positive conclusion which can legitimately be drawn is that, while a rebound in economic growth can confidently be ruled out, it is perhaps incorrect to label Pennsylvania as being in a recession, though the State is certainly near the edge.

Downward pressure on interest rates appear to be required for the U.S. economy to get back on its feet, thereby propping up the Pennsylvania economy. The recent budget agreement may give Federal Reserve policymakers enough room to ease rates down, but the impacts will most likely fall on the short-term side. As long as the inflation outlook remains pessimistic, long-term rates, which are much more likely to influence overall economic activity than short-term rates, will remain stubbornly high. On the bright side, once the current "inflation scare" is history, long-term rates may decline, perhaps paving the way for an uptick in the economy.

The current slowdown appears to be hitting the goods producing sector especially hard. Trends in construction and manufacturing have clearly deteriorated through the first several months of 1990. **On the construction side, new housing units authorized by permit in Pennsylvania during September are down by 43 percent from a year ago. For the year, authorizations are off by more than one-fifth.** Weakness is apparent in three of the State's largest metro areas — Philadelphia, Pittsburgh, and Allentown-Bethlehem. Recent trends in permits also point to some softening on the nonresidential side. Compared to a year ago, the value of construction contract awards is off so far in 1990. Over the course of this year, building-related jobs have come in at a reading which is essentially unchanged from a year ago.

In light of the current slump in real estate/construction activity, there is some concern that Pennsylvania is in store for depression-like conditions evident in other areas such as Massachusetts and the oil patch in recent years. Such a scenario is not likely to unfold in the Commonwealth, at least to the same degree as elsewhere, simply because Pennsylvania's economy does not fall into the "boom/bust" category. The Commonwealth is not dependent on defense-related activity in the same manner as Massachusetts. It has not been subject to the massive retrenchment in a previously-thriving dominant industry, such as the oil industry in the southwest. In those states and regions which have been through this boom/bust scenario, the bottom fell out of real estate and construction markets partly because of over-building. Too much construction was put in place during the

New Pennsylvania building permit authorizations (percent change from year ago)

	Sept.	Pct. chg.	Year-to-date	Pct. chg.
Residential	2,303	-42.7	28,617	-22.1
Nonresidential	1,877	5.0	16,758	- 4.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1990: IIIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	465	-24.5	1,561	-18.4
Carbon	39	-42.6	136	-29.5
Lehigh	172	-42.5	620	-34.9
Northampton	254	2.0	805	4.8
Beaver County MSA	132	25.7	400	39.9
Philadelphia MSA	1,815	-36.5	6,470	-26.6
Bucks	553	- 7.1	1,774	-23.5
Chester	496	-50.5	1,559	-38.9
Delaware	146	-50.2	534	-35.1
Montgomery	514	-35.2	2,115	-19.2
Philadelphia	106	-39.4	488	- 2.2
Pittsburgh MSA	934	-17.9	3,232	- 8.4
Allegheny	498	-18.2	1,710	-17.8
Fayette	58	-15.9	262	4.4
Washington	140	-20.5	456	13.4
Westmoreland	238	-15.9	804	1.3
Adams County	159	-13.1	536	0.2
Nonres. buildings				
Allentown-Beth. MSA	467	-12.4	1,538	- 2.2
Carbon	43	59.3	136	58.1
Lehigh	190	-20.5	610	-15.2
Northampton	234	-12.4	792	3.1
Beaver County MSA	103	14.4	278	13.9
Philadelphia MSA	1,284	- 6.8	3,821	- 5.0
Bucks	440	4.0	1,279	2.2
Chester	294	-15.8	898	- 7.4
Delaware	180	15.4	470	6.6
Montgomery	332	-17.6	1,056	-14.8
Philadelphia	38	-19.1	118	- 3.3
Pittsburgh MSA	671	- 7.3	1,862	- 6.3
Allegheny	336	-11.3	915	-12.4
Fayette	80	2.6	202	- 3.3
Washington	107	-10.8	310	- 3.7
Westmoreland	148	0.7	435	5.8
Adams County	78	- 6.0	191	-19.4

Source: U.S. Dept. of Commerce, Bureau of the Census.

boom side of the cycle which could not be absorbed during the bust.

One measure which is often used to determine whether or not a state can be characterized as "overbuilt" is the share of jobs accounted for by construction relative to the national share *in light of the state economy's relative performance.* If a state's economy is relatively strong, construction activity is expected to follow suit and building-related jobs should account for a relatively high share of the total. During the 1980s, Pennsylvania's economic performance trailed the nation's by most measures of activity. While retail sales growth was on par with the U.S.', growth in personal income and nonfarm jobs came in considerably below national averages (chart). The fact that construction accounted for about 4.1 percent of all jobs in Pennsylvania during the 1980s compared to a 5.6 percent share for the nation as a whole is not surprising given the State's relatively weak economic showing (chart) and suggests that real estate and construction markets in the Commonwealth are not overbuilt.

Trends in the factory sector continue to point down. So far this year, jobs are off by 21,000 compared to the first nine months of 1989. Manufacturing output, as measured by the Pennsylvania Manufacturing Activity Index, dropped considerably in September, though caution should be exercised in gauging monthly changes. Long-term trends suggest that production continues to ease from post-recessionary highs recorded in late 1988 and early 1989.

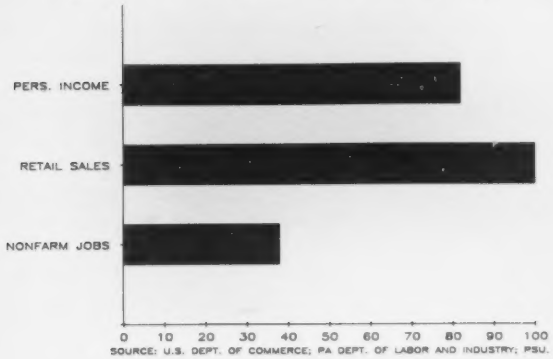
On the nonagricultural jobs front, weakness is evident across most industries (table). In the private sector, all but two of the eight industries show growth of less than

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Aug.	*Sept.*	*Sept.*	*Aug.*	*Sept.*	*Sept.*	*Aug.*	*Sept.*	*Sept.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,119*	5,149	5,137	5,115*	5,126	5,114	112.0	112.3	112.0
Service Producing									
No. of wage and salary jobs (thous.)	3,802*	3,838	3,806	3,827*	3,842	3,809	127.9	128.4	127.3
Transportation and public utilities	250	256	256	255	255	255	97.4*	97.6	97.4
Wholesale trade	283	282	281	281*	282	281	126.7*	127.1	126.8
Retail trade	895*	893	893	895*	894	894	124.8*	124.7	124.7
Finance, insurance & real estate	299*	296	297	295	295	296	135.8*	135.7	136.2
Service & miscellaneous	1,416*	1,421	1,393	1,412*	1,413	1,384	163.7*	163.8	160.5
Federal government	144	141	143	143	141	144	111.8*	110.3	112.2
State & local government	516	549	541	542	562	553	93.0	96.4	94.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,315*	1,307	1,328	1,289*	1,284	1,305	81.9*	81.6	82.9
Construction	253	249	252	233*	234	236	126.9*	126.9	128.5
Mining	27	28	28	27	27	27	56.4*	56.2	57.1
Manufacturing	1,035*	1,030	1,048	1,027*	1,023	1,041	76.6*	76.2	77.5
Durable goods	586*	582	596	583*	579	593	72.0*	71.5	73.2
Nondurable goods	449	448	452	445	444	448	83.6	83.4	84.1
Ave. wkly. hrs. worked by prod. workers	40.7*	41.1	41.1	40.8*	40.9	40.9	103.3*	103.6	103.5
Total wkly. person-hours worked (mils.)	29.1*	29.2	29.7	29.0*	29.0	29.5	75.6*	75.4	76.8
Total wkly. payroll (mil. dols.)	321.0*	324.9	319.1	322.0*	322.3	316.5	143.3*	143.4	140.9
Average hourly earnings (dollars)	11.03	11.13	10.74	11.10	11.10	10.71	189.7	189.7	183.1
Average weekly earnings (dollars)	448.92	457.44	441.41	452.54	455.62	439.83	195.6*	197.0	190.1
Steel production (thous. tons)	1,069	1,026	831	n.a.	n.a.	n.a.	52.2	53.2	43.3
Industrial electric power sales (mil. kwh)	4,037	3,782	3,850	3,920	3,679	3,799	106.2	99.6	102.9
Mining									
Anthracite coal (thous. net tons)	345	323	322	280	297	289	57.3	60.7	59.2
Bituminous coal (thous. net tons)	6,571	6,346	6,131	6,255	6,355	6,111	88.7	90.1	86.6
Construction contracts awarded (mil. dols.)									
Total	719.9	777.9	912.9*	653.6	895.5	933.1*	203.2	278.3	290.0*
Residential building	315.8	270.6	435.9*	259.1	255.8	406.5*	184.1	181.8	288.9*
Nonresidential building	243.8	299.2	370.8*	219.9	336.8	382.6*	202.7	310.4	352.7*
Nonbuilding (utilities and public works)	160.3	208.1	106.2*	174.6	302.9	144.0*	240.9	417.9	198.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,624	5,561	5,588	5,502	5,525	5,552	114.5	115.0	115.5
Unemployed									
No. of persons (thous.)	253	297	235	276	320	257	68.9	79.8	64.0
Rate (percentage of labor force)	4.3	5.1	4.0						
Rate, seasonally adjusted				4.9	5.5	4.4			
Civilian labor force, no. of persons (thous.)	5,877	5,858	5,823	5,779	5,845	5,809	111.0	112.3	111.6
Initial claims for unemployment benefits	87,454	73,926	65,803	114,157	112,348	94,882	79.7	78.5	66.3

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month Ago*	*Year Ago*
	Aug.	*Sept.*	*Sept.*		
U.S. city average	131.6	132.7	125.0	0.8	6.2
Philadelphia	137.3	138.2	130.2	0.7	6.1
Pittsburgh	127.1	n.a.	120.8&	n.a.	5.2

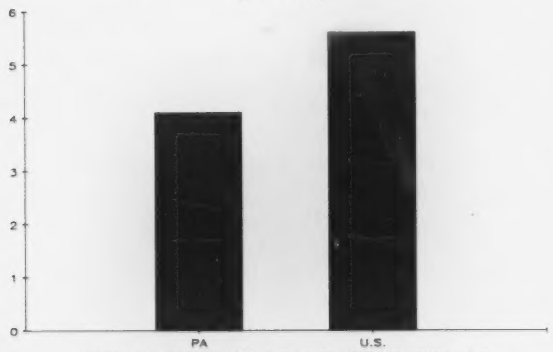
[1] Total includes workers on strike. * = figure revised & = figure for August 1989 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA GROWTH VS. U.S. GROWTH, 1980-1989:
SELECTED ECONOMIC INDICATORS
(PA growth as a percent of U.S. growth)



SOURCE: U.S. DEPT. OF COMMERCE; PA DEPT. OF LABOR AND INDUSTRY; PSU.

CONSTRUCTION AS A SHARE OF NONFARM JOBS,
1980-1989: PA AND THE U.S.
(percent)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY; PSU.

1990 PA nonagricultural job growth by industry (based on trends through September)

	Nonfarm jobs (thous.)		Growth	
	1989	1990	Absolute (thous.)	Percent
Mining	26.8	27.3	0.5	1.9
Construction	232.5	233.0	0.5	0.2
Manufacturing	1,051.9	1,031.4	-20.5	-1.9
Trans./Pub. utilities	252.9	252.9	0.0	0.0
Wholesale trade	279.9	282.3	2.4	0.9
Retail trade	889.4	889.3	- 0.1	0.0
Finance	296.3	297.1	0.8	0.3
Services	1,373.8	1,406.6	32.8	2.4
Federal govt.	143.4	145.5	2.1	1.5
State/Local govt.	549.0	555.7	6.7	1.2

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

1 percent between the first nine months of 1989 and 1990. Mining's performance is somewhat misleading in that 1989 totals were below normal due to a strike, "artificially" inflating the 1990 gain. Even in services, the only industry showing any appreciable gains, job growth so far this year is coming in considerably less than in previous years.

Retail activity also continues to show signs of weakness. In August, sales are down from year-ago readings for the second time in three months. For the year, sales are up a weak 1.5 percent from the first eight months of 1989 as durable goods sales continue to recede. As a result of this sluggish showing on the sales front, retail trade jobs are holding steady, at best. This comes on the heels of seven years of continuous employment gains. While sales gains are weak in the Philadelphia region, the Pittsburgh metro area has realized a decline in the nominal value of retail sales.

Not surprisingly, overall employment and unemployment conditions remain on the weak side. **Third quarter jobless rates are up from year-ago readings in 62 of the Commonwealth's 67 counties. On the employment side, employment is down in 39 counties over the same period. For the State as a whole, September brings with it further evidence that employment is, for the most part, holding steady, with the result being some upward pressure on joblessness. The first reading of the economy's health in October suggests that unemployment is up sharply in Pennsylvania, to its highest level in four years.**

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	August	Pct. chg.	Year-to-date	Pct. chg.
Total	7,215	- 0.2	53,663	1.5
Durables	2,550	- 7.7	19,153	-1.8
Bldg. mat.	311	- 4.3	2,240	-1.5
Auto dlrs.	1,590	- 8.3	11,532	-3.7
Furniture	314	3.3	2,484	5.5
Other	335	-16.5	2,897	-0.1
Nondurables	4,665	4.4	34,510	3.5
Gen. mdse.	742	2.3	5,230	3.1
Food/grocery	1,456	3.0	11,184	2.8
Gas	438	8.4	3,173	2.9
Apparel	381	0.3	2,583	2.1
Eat/drink	857	1.1	6,441	4.4
Drugs	268	10.7	2,068	2.3
Other	523	14.9	3,831	6.7

Seas. adj. total: August 7,024
July 6,836

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

Philadelphia and Pittsburgh metropolitan area retail sales (millions of dollars; pct. chg. from year ago; data through Aug.)

	Philadelphia		Pittsburgh	
	Year-to-date	Pct. chg.	Year-to-date	Pct. chg.
Total	22,846	4.9	9,198	- 4.0
Durables	8,293	3.5	2,965	- 9.9
Bldg. mat.	918	-10.9	381	6.7
Auto dlrs.	4,781	5.4	1,588	-19.8
Furniture	1,245	21.2	350	- 3.6
Other	1,349	- 5.1	646	9.3
Nondurables	14,553	5.8	6,233	- 0.9
Gen. mdse.	2,056	- 0.0	1,102	1.3
Food/grocery	4,854	4.7	1,645	8.7
Gas	1,111	- 0.2	701	5.7
Apparel	1,293	3.9	528	2.5
Eat/drink	2,543	10.9	1,184	- 9.9
Drugs	980	9.4	578	-13.5
Other	1,716	13.0	495	- 6.6

Source: U.S. Dept. of Commerce, Bur. of the Census.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

1990:IIIQ county employment
(pct. and pct. pt. changes are from year-ago quarter)

	Empl. (thous.)	Ann. pct. chg.	Unemp. rate (pct.)	Ann. pct. pt. chg.*
Adams	37.9	-0.8	3.8	0.2
Allegheny	637.8	0.6	3.7	0.0
Armstrong	26.7	-2.9	6.9	0.6
Beaver	54.8	-1.1	6.9	0.2
Bedford	20.0	-1.0	7.9	1.1
Berks	170.2	-0.5	4.7	1.3
Blair	58.2	1.9	6.6	1.2
Bradford	29.9	-0.7	4.8	1.0
Bucks	287.2	-0.7	3.8	0.7
Butler	70.6	-1.0	5.1	0.9
Cambria	59.1	-0.3	6.9	-0.7
Cameron	2.6	0.0	6.3	0.6
Carbon	23.5	-0.4	6.7	0.7
Centre	63.6	0.3	4.9	0.9
Chester	194.0	-0.7	3.3	0.7
Clarion	16.2	-3.0	6.9	1.1
Clearfield	31.6	-1.9	8.0	0.2
Clinton	14.2	0.7	8.2	1.4
Columbia	30.1	-0.7	5.3	0.8
Crawford	37.0	-1.3	6.1	1.1
Cumberland	110.1	1.6	3.6	0.8
Dauphin	134.2	1.6	4.6	0.6
Delaware	280.2	-0.7	3.6	0.3
Elk	16.6	0.6	5.2	0.2
Erie	128.7	1.3	4.7	0.2
Fayette	55.1	0.5	6.2	0.4
Forest	1.7	0.0	6.1	-2.1
Franklin	56.8	-0.9	5.5	2.2
Fulton	5.9	0.0	5.5	1.9
Greene	11.7	-2.5	8.5	0.6
Huntingdon	17.8	2.3	7.7	1.0
Indiana	31.6	-1.9	7.7	-0.2
Jefferson	18.5	-1.6	6.1	0.9
Juniata	9.6	0.0	7.9	2.0
Lackawanna	104.4	-0.4	6.2	1.1
Lancaster	216.6	-1.0	3.7	0.7
Lawrence	46.2	-0.9	4.8	0.5
Lebanon	63.7	1.4	4.0	0.2
Lehigh	141.2	-0.5	4.8	0.8
Luzerne	151.7	-0.4	6.5	0.8
Lycoming	58.1	1.8	6.3	1.2
McKean	19.5	-1.5	6.1	1.0
Mercer	50.1	3.1	4.6	0.6
Mifflin	20.9	-0.5	7.0	0.4
Monroe	47.2	-0.4	5.8	2.2
Montgomery	375.0	-0.7	3.4	0.6
Montour	7.8	-2.5	4.7	1.2
Northampton	110.6	-0.5	5.2	1.2
Northumberland	45.7	-1.7	7.6	1.5
Perry	20.6	1.5	5.3	1.0
Philadelphia	689.1	-0.7	5.9	1.0
Pike	13.9	4.5	4.7	1.1
Potter	7.4	1.4	5.9	0.0
Schuylkill	69.5	0.6	6.9	0.9
Snyder	18.2	-1.6	6.6	2.2
Somerset	30.1	0.0	6.2	0.3
Sullivan	3.0	0.0	4.5	1.3
Susquehanna	17.6	0.0	5.8	0.3
Tioga	17.7	0.0	6.4	1.6
Union	16.4	-1.8	5.2	1.5
Venango	23.4	-1.7	5.4	0.5
Warren	21.5	-0.9	3.8	-0.3
Washington	89.2	0.6	4.6	0.3
Wayne	21.4	3.9	4.8	1.2
Westmoreland	167.5	0.6	4.4	-0.7
Wyoming	12.7	-0.8	5.4	0.8
York	174.8	-0.7	4.7	0.7

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.
*Current rate minus year-ago rate.

Based upon recent trends in the Pennsylvania index of leading indicators, there is little hope for a rebound in economic growth in Pennsylvania in the near-term. This qualitative measure of the economy's health has now declined in six of the past eight months. The coincidental index, designed to mirror current economic trends, has been on the downtrend for four consecutive months and eight of the past ten months.

— William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Perhaps the most widely followed measure of regional economic health, employment and unemployment trends, suggest that the Allentown-Bethlehem metropolitan area is following the pattern evident Statewide. After monthly ups and downs are averaged out, employment appears, at best, to be holding fairly steady, with some upward pressure on joblessness resulting. Through the first three quarters of this year, employment has been slightly below year-ago readings in eight of nine months. The 313,000 residents officially listed as employed in the third third quarter represent the lowest reading in more than two years after seasonal adjustment. So far this year, 4,300 more residents are counted as among the unemployed than during the first nine months of 1989.

Nonfarm job totals have been holding fairly steady since the beginning of 1989. For the year, jobs are up just 0.4 percent, a gain pretty much in line with the State's 0.5 percent advance. If current trends continue, 1990 will result in one of the weakest job gains in several years. The general downtrend in goods producing jobs shows no sign of reversing. This year's July-September period marks the fifth consecutive quarter in which seasonally adjusted job levels have receded

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	313.0	113	115	113
Unemployed, no. of residents	16.9	86	87	70
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	329.9	111	113	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	281.0	110	110	109
Srv. Prod. only, no. of jobs	192.2	139	139	137
Goods Prod. only, no. of jobs	88.6	75	75	76
Hrs. worked by production workers in mfg., ave. weekly	39.9	104	103	105
Industrial electric power sales				
Metropolitan area	***	103	104	108
Allentown	***	94	95	94
Bethlehem	***	107	107	116
Easton	***	112	120	114

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	172.6	-30
Nonresidential contracts only	160.0	0

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

to a new record low. Electricity sales to industrial customers has been on the downtrend since the beginning of 1989, suggesting that factory production is easing. The average manufacturing workweek, a leading indicator of hiring trends, has been holding steady for the past several months, implying that the outlook for factory jobs is not especially positive.

Construction activity has slowed considerably in the region. On a year-to-date basis, residential construction contracts are down nearly one-third from a year ago while nonresidential values are unchanged. The number of new housing units authorized by permit are down one-fifth from the first nine months of 1989 in the Pennsylvania portion of the region. This follows declines of 20 and 32 percent in 1988 and 1989, respectively. This year's decline is especially pronounced in Lehigh and Carbon Counties. New nonresidential projects authorized by permit are down 2 percent so far this year.

Between 1982 and 1989, service producing jobs grew by an average of 5,700 per year. So far in 1990, job growth is in the neighborhood of 3,100. While 1990 will undoubtedly result in another record total, job readings have eased a bit in both the second and third quarters of this year after seasonal adjustment.

All things considered, it does not appear that the region's economy is contracting. However, it is safe to conclude that the rate of economic growth has slowed to a crawl. Furthermore, the future is likely to bring more of the same, at least in the short-term. In light of the weakness expected in the national economy, northeastern Pennsylvania will struggle to hold its own.

Scranton-Wilkes-Barre

Economic conditions in the five counties in the Scranton-Wilkes-Barre metro area are showing signs of weakening as 1990 begins to wind down. The short-term outlook suggests that a rebound can confidently be ruled out. The big question is whether the economy slips into recession or exhibits minimal, albeit positive, growth. Right now, the latter appears more likely, though a strong case which argues that a recession is imminent is certainly defensible.

For several years, service producing industries have provided nearly all new jobs in the region, a trend which has continued through the first nine months of this year. During the first three quarters of 1990, service producing jobs are up 2.1 percent. This compares favorably with the 1.2 percent gain recorded Statewide. In that the current slowdown is hitting the goods producing sector especially hard, these industries will likely continue as the main engine of job growth.

While service producing jobs continue to grow and remain at record high readings, there are signs of slowing. Between 1982 and 1989, retail trade jobs increased at a 4.4 percent annual clip. So far this year, these jobs have grown at a much weaker 1.8 percent pace. Much the same is true for services, where jobs are up 2.4 percent so far this year compared to an average gain of 5 percent during the previous seven years.

After reaching a post-recession high last year, goods producing jobs have apparently topped out as about 1,000 positions have been lost so far in 1990. In manufacturing alone, 1,300 jobs have been lost compared to the first three quarters of 1989. The construction industry has added 200 jobs, but

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	346.1	120	122	120
Unemployed, no. of residents	22.8	75	77	62
Rate, seasonally adjusted	6.4			
Civilian labor force, no. of residents	368.9	116	118	114
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	309.3	118	118	117
Srv. Prod. only, no. of jobs	223.0	137	137	135
Goods Prod. only, no. of jobs	86.2	86	87	88
Hrs. worked by production workers in mfg., ave. weekly	39.8	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	123	121	118
Lackawanna County[2]	***	134	133	132
Luzerne County[3]	***	118	112	107
Hazleton	***	107	101	95
Wilkes-Barre	***	127	124	114
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	224.2	−21		
Nonresidential contracts only	112.4	+ 3		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

activity appears weak based upon trends in the value of contract awards. Over the 1982-1989 period, there was an average of more than 400 new building-related jobs added each year to payrolls.

These generally weak trends have resulted in some deterioration on the employment/unemployment front. The region's jobless rate has been above year ago readings for 11 consecutive months. Before seasonal adjustment, third quarter's 6.2 percent rate is up 1.1 percentage points from last year. Employment growth so far this year has been minimal. In both August and September, employment readings come in below a year ago. All five counties in the region are characterized by this "sluggish employment/rising joblessness" picture. In fact, Monroe County's 2.2 percentage point increase in the jobless rate during the third quarter compared to a year ago matches the highest increase in the Commonwealth.

Williamsport

During much of the mid 1980s, Lycoming County was home to one of the strongest economies outside of the southeastern region of the Commonwealth. Recent trends, however, suggest that the Williamsport metro area is not immune to the economic slowdown which is clearly evident nationwide. On a more positive note, the weakness has not spread throughout the economy in the region. Only certain industries and sectors appear to be experiencing considerable difficulties. While the 58,100 residents officially listed as employed in the third quarter is up by 1,000 from a year ago, there are some worrisome signs. Employment growth remains weak in comparison with the past several years. Also, seasonally adjusted readings are down in both the second and third quarters. In absolute terms, the third quarter finds joblessness up by 800 from a year ago while the rate of unemployment is up from 5.9 to 7.1 percent, seasonally adjusted. Statewide, the jobless

Williamsport Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	58.1	122	122	119
Unemployed, no. of residents	3.9	93	91	77
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	62.0	119	120	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.6	113	114	112
Srv. Prod. only, no. of jobs	33.9	128	127	124
Goods Prod. only, no. of jobs	18.1	92	96	96
Hrs. worked by production workers in mfg., ave. weekly	40.2	103	99	103
Industrial electric power sales	***	130	135	101

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	14.2	– 41
Nonresidential contracts only	17.3	+101

[1]Lycoming County

Altoona Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	58.2	109	111	106
Unemployed, no. of residents	4.1	115	107	93
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	62.3	109	111	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.2	102	103	101
Srv. Prod. only, no. of jobs	40.4	112	112	109
Goods Prod. only, no. of jobs	12.8	80	82	82
Hrs. worked by production workers in mfg., ave. weekly	39.8	105	100	104
Industrial electric power sales	***	81	78	78

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	14.8	+28
Nonresidential contracts only	30.1	+16

[1]Blair County

rate comes in at 5.1 percent.

Service producing job levels have stood at a record high almost nonstop since mid 1985. These industries continue to turn in an impressive performance. This year's third quarter finds 33,900 jobs in these establishments, up by 1,000 from a year ago. For the year, jobs are up 2.8 percent, well in excess of the 1.2 percent Statewide advance and a slight improvement over the 2.6 percent gain averaged over the 1982-1989 period.

For the most part, the weakness evident of late in the overall economy of the region is concentrated in the goods producing sector where job totals are off by 400 so far this year. Job trends in durable goods manufacturing are especially worrisome in light of the-year-to-date decline of 800 jobs. However, a labor-management dispute has depressed job readings in recent months, rendering comparisons over time somewhat suspect. Suffice it to say that manufacturing job totals appear to be in a slight downtrend. Should overall economic conditions continue to weaken, these industries will likely cut payrolls in the coming months. Residential construction activity appears weak based upon the value of contracts awarded. On the nonresidential side, awards are double their 1989 value so far this year.

Southwestern Quarter

Altoona

Although the Blair County economy appears to be in the midst of an economic slowdown, the slump does not appear to be quite as pronounced as in the State as a whole. For instance, nonfarm jobs are up 1.5 percent through the first nine months of this year, triple the gain recorded Statewide. Still, this comes on the heels of an average gain of 2.1 percent turned in during the 1983-1989 period. While it is safe to argue that economic growth has slipped a notch in the region, recent trends do not merit talk of a recession.

What weakness there is in the economy remains concentrated in the goods producing sector, especially in manufacturing. For the sector as a whole, the trend continues to point down as job readings have been below year-ago totals in 11 consecutive quarters. After seasonal adjustment, job levels stand just barely above recessionary lows recorded in 1983. In manufacturing, job levels are off by 300 so far this year. Construction activity appears to be holding its own based upon trends in the value of contracts awarded. Service producing jobs are up 2.6 percent so far in 1990, more than double the increase recorded Statewide. Jobs in the services industry are up by 400, slightly higher than retail trade's increase of 300.

When all is said and done, 1990 will likely mark the fourth consecutive year in which a record number of Blair County residents are counted among the employed. Through the first nine months of the year, employment has averaged 57,300 for a gain of 900 over a year ago. Unfortunately, the labor force has increased by nearly twice that amount, with the end result being a rise in joblessness in the neighborhood of 700 residents. This year's employment gain comes in at 1.5 percent, a good bit below the 2.5 percent average gain from the previous six years.

Johnstown

After declining for six consecutive years, from 20.6 percent in 1983 to 7.1 percent in 1989, unemployment is on the rise in the Cambria-Somerset County region so far in 1989. Through the first nine months of the year, the jobless rate has averaged 7.6 percent, up from a 6.9 percent reading from a year ago. The rise in joblessness occurs as employment has settled into a holding pattern. In fact, the number of residents officially listed as employed is down a minimal 0.3 percent on a year-to-date basis in the Johnstown metro area. As with the reversal in unemployment trends, this comes on the heels of six years of continuous employment growth.

For the past several years, the region's service producing establishments have been turning in an especially strong performance. This year, job growth in these establishments is averaging 0.9 percent per month. Unfortunately, this is only about one-half the gain averaged over the course of the 1983-1989 period, providing further evidence of the overall economic slowdown. Nonetheless, this year's gain leaves service producing job totals at another record high.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	89.2	91	92	91
Unemployed, no. of residents	6.4	63	68	66
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	95.6	88	89	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	81.0	92	92	90
Srv. Prod. only, no. of jobs	60.3	111	111	110
Goods Prod. only, no. of jobs	20.7	60	60	59
Hrs. worked by production workers in mfg., ave. weekly	38.8	100	97	100
Industrial electric power sales	***	171	166	140
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	26.7	−24		
Nonresidential contracts only	35.4	−34		

[1]Cambria and Somerset Counties

The metro area's goods producers are managing, just barely, to maintain employment levels. Through the first nine months of this year, jobs in these establishments are up by 300 and stand at just over 20,000, a job reading which is quite consistent with totals from the past seven years. The manufacturing sector appears to be holding its own on the jobs front while electricity sales to industry, a proxy for factory production, have trended erratically up over the past year. Although it has held steady so far this year, the average factory workweek, a leading indicator of manufacturing hiring trends, declined throughout 1989 so that it is hovering near its lowest level in four years after all of the monthly gyrations are averaged out. Construction activity appears to have slackened a bit this year. The value of contract awards is off for both residential and nonresidential projects. Building-related jobs are up by a slight 100 from a year ago.

The end result of all of these industry and sectoral trends is that total nonfarm jobs are up just 0.8 percent so far this year, the weakest showing in five years, but still marginally better than the State's 0.5 percent gain. In a nutshell, the economy is clearly showing signs of softening in the region, with more of the same expected in the coming months. While it appears too early to declare the region in a recession, or even that a recession is imminent, the metropolitan area will certainly not match overall growth rates recorded in previous years.

Pittsburgh-Beaver Valley

There is clear evidence of an economic slowdown in the five counties of the Pittsburgh-Beaver Valley metropolitan region. Most indicators, whether pertaining to employment and jobs, unemployment, construction activity, or retail sales, suggest that the expansion which has been in place since, roughly, 1983, may be nearing an end. As an aside, the inflationary impacts of the Mid East crisis do show up in the August consumer price index for the region. During the first half of the year, the CPI rose 4.4 percent from a year ago. In August, it was up 5.2 percent. The energy component of the index surged at a 12.2 percent clip from August 1989 to August 1990.

Employment and unemployment trends throughout the region show some worrisome signs. In four of the five counties, third quarter jobless rates are up from a year ago. (Westmoreland is the exception.) Employment is down in Beaver County over the same period. It appears as if employment will decline for the 10th time in the past 11 years after the books are closed on 1990. Employment is up less than 1 percent during the year ending with the third quarter in each of the four Pittsburgh metro area counties. Over the 1983-1989 period, employment growth averaged 1.5 percent each year.

It appears that nonagricultural job levels have settled into a holding pattern in recent months. Through the first nine months of the year, however, jobs are up 1.9 percent in the Pittsburgh portion of the region, a gain which is quite impressive relative to Statewide trends and with respect to recent historical trends. Growth does show signs of easing as 1990 unfolds. In the first quarter, nonfarm jobs were up 2.3 percent compared to the same period a year ago. In the third quarter, growth had slipped to 1.5 percent. Furthermore, seasonally adjusted job readings declined in both the second and third quarters. In Beaver County, the third quarter finds establishment jobs unchanged from a year ago.

Much of the region's strength remains concentrated in the service producing industries. On a year-to-date basis, job

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	949.6	107	109	107
Beaver County	54.8	63	65	64
Unemployed, no. of residents				
Pittsburgh[1]	40.1	64	72	65
Beaver County	4.1	62	70	61
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.2			
Beaver County	7.0			
Civilian labor force, no. of residents				
Pittsburgh[1]	989.7	104	107	104
Beaver County	58.9	63	65	64
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	913.7	104	105	103
Beaver County	49.4	65	65	65
Srv. Prod. only, no. of jobs				
Pittsburgh[1]	740.5	124	124	121
Beaver County	37.9	111	112	110
Goods Prod. only, no. of jobs				
Pittsburgh[1]	172.8	62	62	62
Beaver County	11.6	27	27	27
Hrs. worked by production workers in mfg., ave. weekly				
Pittsburgh1	42.0	n.a.	n.a.	n.a.
Beaver County	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	63	62
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	397.5	0		
Beaver County	24.8	+27		
Nonresidential contracts only				
Pittsburgh[1]	456.0	−28		
Beaver County	11.7	−43		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

levels are up 1.1 percent in Beaver County and 2.6 percent in the four-county Pittsburgh region. In the retail trade industry, job levels are up by 100 in Beaver County and 2,000 in Pittsburgh. However, retail sales are down 4 percent, in nominal terms, through August of this year. Auto dealers account for the bulk of the decline in sales activity.

On the goods producing side, industries are struggling to maintain current job readings. Construction indicators are mixed. It appears that both residential and nonresidential construction activity is down in the Pittsburgh portion of the region. On the residential side, the decline recorded so far this year in the number of new housing units authorized by permit is concentrated in Allegheny County. The residential sector shows some signs of growth in Beaver County.

Recent indicators of the national economy's health suggest that much of the economy's weakness is concentrated in manufacturing and construction. Hence, these industries are expected to act as an anchor on overall economic growth. The next several months are likely to bring additional signs of weakness in these industries throughout southwestern Pennsylvania.

State College

Recent trends prove that Centre County is not immune to the downturn evident in the economy nationwide and throughout the State. At the same time, they suggest that the current slump is not quite as pronounced in the State College metro area relative to much of the rest of the State. For instance, nonfarm jobs are up 2.6 percent this year, more than five times greater than the growth rate turned in by the State as a whole. Still, it represents a rate of expansion which is down more than one full percentage point from the average growth rate in the previous seven years. The bottom line, however, is that the region still maintains record numbers of jobs.

The metro area's service producers continue to generate the bulk of all new jobs. So far this year, 1,300 new positions have been added to payrolls in these industries compared to the same period in 1989. However, trends *in* 1990 show that, after adjustment for normal seasonal variations, job levels have held essentially steady through the first three quarters of the year, suggesting that these establishments are in store for a period of relatively slow growth in coming months as the economic slowdown takes hold. That slowdown is already evident in the goods producing sector, where job levels are unchanged from mid 1989 readings after seasonal adjustment. Construction, which arguably led the region's rapid economic expansion in the mid and late 1980s, shows signs of slowing. Both residential and nonresidential construction contract values are down considerably so far this year.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '90	3 Q '90	2 Q '90	3 Q '89
Employment *(in thousands)*				
Employed, no. of residents	63.6	150	154	150
Unemployed, no. of residents	3.3	129	124	102
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	66.9	149	153	147
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	59.2	141	142	139
Srv. Prod. only, no. of jobs	47.3	142	142	139
Goods Prod. only, no. of jobs	12.0	137	142	138
Hrs. worked by production workers in mfg., ave. weekly	41.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	150	144	138
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	39.3	-30		
Nonresidential contracts only	36.7	-53		

[1]Centre County

The end result of all of these trends is minimal, though still positive, growth on the employment front, with some upward pressure on joblessness. Joblessness had been declining for six consecutive years in the region, through 1989. However, 700 more residents have been counted among the unemployed during the first nine months of this year relative to the same period a year ago. On the employment front, the 1.5-2 percent increase likely to transpire in 1990 (it was up 1.6 percent through September), will be the weakest in eight years.

Northwestern Quarter

Erie

Except for 1987's 0.6 percent gain, employment growth in Erie County ranged from 1.4 to 3.7 percent over the 1983-1989 period. So far this year, growth comes in at just 0.8 percent, a trend which is clearly sub-par with respect to the region's performance over much of the recovery period. Still, despite the fact that employment growth is slowing, more Erie County residents are counted among the employed than at any other time in history. This year's increase translates into an absolute gain of 1,000, not nearly enough to absorb the net inflow into the labor force. The end result is a rise in unemployment totaling 800.

Based upon job trends, the metro area's service producing industries are hardly feeling the impacts of the national economic slowdown. So far this year, jobs in this sector are up 1.9 percent, just barely below the 2.3 percent average from the 1982-1989 period. With 1,300 new positions so far this year, the services industry continues to lead the overall sector in terms of job growth. Retail trade jobs are up by just 100 so far this year, a gain which is down from the annual increase in the neighborhood of 400 new jobs averaged during the previous seven years. Perhaps the slowdown in retail sales evident Statewide is also occurring in Erie County.

On the goods producing side, trends so far this year suggest that job levels have, temporarily, topped out. On a seasonally adjusted basis, third quarter job levels are virtually unchanged from first quarter readings. Still, year-to-date trends show a nice gain of 1,000 jobs, which, in percentage terms, works out to 2.5 percent, a rather impressive showing. So, while 1990 perhaps represents the early stages of a holding pattern in terms of goods producing jobs, there is no denying that the late 1980s were fairly good in terms of job performance. Sales of electricity to industrial customers, a qualitative measure of production trends in the factory sector, have stood at a post-recession high over the course of the past six months. The news on the construction front is mixed. While job levels and the value of nonresidential construction contracts are up this year, the latter by 12 percent, residential contracts are down one-fourth in value.

At least a fair portion of the recent news in Erie County

Erie Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	128.7	114	115	112
Unemployed, no. of residents	6.3	72	74	69
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	135.1	111	112	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	120.6	109	109	107
Srv. Prod. only, no. of jobs	79.2	124	123	122
Goods Prod. only, no. of jobs	41.2	88	88	86
Hrs. worked by production workers in mfg., ave. weekly	43.5	105	104	106
Industrial electric power sales	***	119	122	112

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	52.5	−25
Nonresidential contracts only	45.3	+12

[1]Erie County

has been positive. While employment and unemployment conditions show signs of softening, nonfarm job trends are holding their own. On the surface, recent trends in the region do not support talk of a recession. At the same time, it does not appear likely that the metro area will come close to matching overall trends from the relatively robust late 1980s.

Sharon

Mercer County continues to turn in a relatively impressive showing in terms of the overall economy. While the national economic slowdown is concentrated in the goods producing sector, these industries appear to be holding their own in the Mercer County metro area. The third quarter finds jobs in these establishments up by 600 from a year ago. The 13,600 positions in these industries translate into the highest quarterly total since 1982. Job totals in the construction and mining category are up by 100 from a year ago while manufacturing industries have increased job levels by 500. Statewide, the trend in manufacturing jobs has been down of late.

At the same time, service producing job levels stand at their highest readings on record. For the year, jobs are up 1.7 percent, a favorable trend in light of the 1.2 percent gain turned in by the State as a whole. Furthermore, this represents

Sharon Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	50.1	103	102	100
Unemployed, no. of residents	2.4	60	74	51
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	52.5	99	100	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.1	96	96	95
Srv. Prod. only, no. of jobs	30.5	113	112	110
Goods Prod. only, no. of jobs	13.6	75	72	72
Hrs. worked by production workers in mfg., ave. weekly	43.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	119	106	113

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	13.1	− 4
Nonresidential contracts only	16.5	+35

[1]Mercer County

marginal improvement over the previous six years when job gains in these industries averaged 1.5 percent in the region. The end result of all of these trends is that total nonfarm jobs in the third quarter of 1990 represent the highest reading in approximately nine years.

The region's relatively strong economic showing is evident in labor force-related developments. Employment growth during the year ending with the third quarter of this year, at 3.1 percent, is the third strongest in the Commonwealth, trailing only Pike and Wayne Counties. In fact, while the overall employment situation appears to be deteriorating a bit Statewide, employment growth shows signs of picking up in the Sharon metro area as 1990 unfolds. Still, despite the uptrend in employment, joblessness in the region is on the rise. Third quarter's 4.6 percent jobless rate is up from 4 percent a year ago.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

In every month but one since November 1989, the unemployment rate in the Harrisburg-Lebanon-Carlisle metro area has come in above year-ago readings. This year's third quarter finds the jobless rate, at an unadjusted 4.2 percent, up 0.6 percentage point from a year ago. The uptrend in joblessness is occurring at the same time that employment continues to expand. Through the first nine months of this year, employment is up by 4,100 residents compared to the same period in 1989. Coupled with a rise in the labor force totaling 6,600 over the same period, this translates into a rise of 2,500 in the number of unemployed. Prior to this year, unemployment had been trending down over much of the previous six years.

The region's service producing industries continue to add jobs at a healthy clip. So far this year, jobs have averaged 251,200 per month, up by 7,600 or 3.1 percent from a year ago. This is nearly identical to the average annual gain from the previous seven years. The service industry accounts for 3,300 of those new jobs. Retail trade accounts for an additional 1,000 new positions. This represents an increase which is about two-thirds of the average annual gain from the 1982-1989 period, suggesting that the weakness evident in

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 3 Q.'90	Average monthly index seas. adj. (1977 = 100) 3 Q.'90	2 Q.'90	3 Q.'89
Employment *(in thousands)*				
Employed, no. of residents	328.6	128	129	126
Unemployed, no. of residents	14.4	93	88	79
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	343.0	126	127	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	322.1	130	129	126
Srv. Prod. only, no. of jobs	254.2	140	138	135
Goods Prod. only, no. of jobs	67.8	102	102	102
Hrs. worked by production workers in mfg., ave. weekly	40.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	78	74	72

Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	167.8	− 25
Nonresidential contracts only	302.8	+162

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

recent retail sales trends in the State may also apply to the four-county metro area.

Goods producing job totals are holding steady, just as they have since 1988. Previous growth, much of it occurring in the mid 1980s, leaves job totals hovering at or near their highest readings in a decade.

Construction indicators are mixed. Job levels are up by about 1,000 from a year ago in averaging 14,900 through this year's first three quarters. While the value of residential construction contract awards is down one-fourth this year, awards have surged on the nonresidential side. However, the manufacturing situation shows signs of weakness. Year-to-date job levels are off by 900 and 100 in durables and nondurables, respectively. Industrial electricity sales trended down throughout much of 1988 and 1989. This year, they have settled in at a relatively low plateau.

In light of expectations for a sluggish national economy, the metro area's impressive showing turned in over much of the mid and late 1980s is not likely to be repeated in the foreseeable future. At the same time, conditions could be considerably worse some 7-8 years into the economic expansion. Overall growth is expected to remain positive, and probably at a pace considerably stronger than in much of the rest of the Commonwealth.

Lancaster

Recent trends on the nonagricultural jobs front point to some softening in the Lancaster County economy. While 1990 will surely result in another record number of nonfarm jobs, growth so far this year, at 0.5 percent, is down considerably from the 3.3 percent average from the previous seven years. Furthermore, after out-performing the State by a wide margin, this year's job growth barely matches that turned in by the Commonwealth.

There are some worrisome signs in the goods producing sector where job levels have trended down through the first nine months of this year. Third quarter's 70,700 jobs in these establishments is the lowest reading for the July-September period in four years. The County's largest durable goods producer (in terms of jobs), fabricated metals, maintains 400 fewer jobs so far this year compared to 1989. Printing and publishing, the largest industry on the nondurable goods side, has added 200 jobs. Electricity sales to industrial customers, a proxy for manufacturing production, are perhaps best characterized as moving sideways in recent months. The average factory workweek, a leading indicator of manufacturing hiring trends, has trended down since the beginning of 1989, despite a minimal uptick in this year's third quarter. This suggests that manufacturing job levels, which are down by 1,500 so far this year, are not likely to reverse course anytime soon.

The third quarter brings with it preliminary indications that some of the economy's weakness is beginning to show up in the service producing sector, though only time will tell if this is the start of a trend. After seasonal adjustment, third quarter job readings in these industries are down from the previous quarter for the first time since the January-March 1985 period. Through the first nine months of the year, jobs in these establishments have averaged 118,600, up 2.2 percent from a year ago. This is only about one-half the gain averaged during the previous seven years.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	216.6	135	138	136
Unemployed, no. of residents	8.4	101	100	82
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	225.0	133	136	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	189.5	133	134	133
Srv. Prod. only, no. of jobs	118.8	153	154	151
Goods Prod. only, no. of jobs	70.7	109	110	112
Hrs. worked by production workers in mfg., ave. weekly	40.3	102	101	102
Industrial electric power sales	***	146	142	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	154.1	-38		
Nonresidential contracts only	126.2	+20		

[1]Lancaster County

Perhaps the most worrisome economic signs are found in recent employment/unemployment trends. In seven of this year's first nine months, employment levels have been below year-ago readings. At an unadjusted 3.7 percent in the third quarter, the region's jobless rate was the fifth lowest among the State's 67 counties. At the same time, it is up from 3 percent a year ago. These trends suggest that several years of nearly non-stop improvement in terms of employment and unemployment have arguably come to an end, though recent developments should not be couched in terms of a recession.

Philadelphia

Economic trends are down across the board in the eight-county Philadelphia metropolitan area. Furthermore, there is little sign of relief in the short-term outlook. The sluggishness expected nationwide will make it difficult for the region to move forward. Additionally, Philadelphia's well-publicized financial problems further clouds the outlook. At best, the region will show minimal growth in the coming months.

Trends so far this year on the employment/unemployment

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	2,323.2	122	123	122
Unemployed, no. of residents	110.0	61	61	52
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2,433.1	117	118	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,193.6	120	120	120
Srv. Prod. only, no. of jobs	1,733.7	132	132	131
Goods Prod. only, no. of jobs	461.0	89	90	91
Hrs. worked by production workers in mfg., ave. weekly	40.2	102	101	102
Industrial electric power sales	***	110	110	112
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	924.0	-31		
Nonresidential contracts only	1,175.8	-26		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

front follow the Statewide pattern. Employment growth is showing signs of easing with some upward pressure on joblessness resulting. Third quarter employment readings are down from a year ago in each of the five Pennsylvania counties. Each is also characterized by an increase in the jobless rate. For the year, employment in the metro area has averaged 2,319,000, down by 19,800 from the first nine months of 1989. In that the labor force is down by 4,600 (a trend which, taken alone, is indicative of a slowdown), the end result is an uptick in joblessness in the neighborhood of 18,900 residents on a year-to-date basis.

The other major indicator of employment trends, job levels in nonagricultural establishments, also points to a stagnating economy. Readings are just barely above a year ago and the seasonally adjusted total has dipped in both the second and third quarters. During the 1982-1989 period, job growth averaged 2.1 percent on an annual basis. The increase so far this year falls in the neighborhood of 0.1 percent.

The weakness evident in the economy appears to be widespread, and even includes at least portions of the service producing sector. Retail sales are up 4.9 percent through August. In light of the 5.5 percent gain in overall consumer prices so far this year, it appears quite probable that the real volume of sales is actually down. (As an aside, the energy component of the consumer price index surged at a 13.1 percent clip in September as the inflationary impacts of the Middle East crisis are apparently being felt in the region). Retail trade jobs are actually down by 1,800 so far this year after several years of practically non-stop growth. Job levels in the service producing sector as a whole are up just 0.9 percent, a bit below the 1.2 percent gain turned in by the State.

The news certainly is not any better on the goods producing side. Job levels are well on their way to declining for the second consecutive year. Job trends in the factory sector remain especially worrisome as the year-to-date decline totals 8,900. Electricity sales to industry have been in a holding pattern for approximately three years, suggesting that production levels are likely only holding steady in the manufacturing sector.

All three indicators of construction activity — jobs, the value of contract awards, and permit authorizations — point to some weakness in building-related activity. Job levels so far this year are down by 2,600. Both residential and nonresidential contract valuations are down by more than one-fourth. On a year-to-date basis, the number of new housing units authorized by permit are down from last year. For all five Pennsylvania counties combined, permits are off 27 percent. On the nonresidential side, the decline works out to 5 percent.

Reading

Nationwide, the current economic slowdown is concentrated in the goods producing sector. Trends through the first nine months of 1990 in Berks County suggest that these same industries are holding back overall economic growth in the metropolitan area, as well. For the year, job levels in these industries are down 1,200 from the same period a year ago. Typically, job levels recede a bit in some of the region's major manufacturing industries in the summer months as activity slows. This summer, however, the slowdown appears to have been a bit more pronounced in some industries, a

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	170.2	124	127	124
Unemployed, no. of residents	8.4	102	94	75
Rate, seasonally adjusted	5.0			
Civilian labor force, no. of residents	178.6	122	125	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	155.1	118	119	118
Srv. Prod. only, no. of jobs	101.0	134	134	130
Goods Prod. only, no. of jobs	54.1	97	100	100
Hrs. worked by production workers in mfg., ave. weekly	41.1	105	105	105
Industrial electric power sales	***	143	142	142
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	86.5	−32		
Nonresidential contracts only	61.6	−67		

[1]Berks County

trend which can be perceived as a further sign of weakness in the economy. On a seasonally adjusted basis, third quarter goods producing jobs stand at their lowest total in more than seven years.

As is the case in several other regions in the State, the third quarter brings with it some signs that the service producing sector is beginning to feel the impacts of the economic slowdown. While job levels are up so far this year compared to the first three quarters of 1989 by an amount consistent with average gains from previous years, some *within-year* slowing is evident so far in 1990. On a seasonally adjusted basis, job levels in September are up 1.5 percent from January readings. During the previous seven years, the typical January-September gain fell in the neighborhood of 2.3 percent. The region's two major service producing industries, services and retail trade, continue adding jobs at a fairly healthy clip.

Hence, it is perhaps best not to read too much into preliminary evidence of a slowdown in this sector based upon trends over a relatively short period. The severity of the service producing sector's slowdown, if there even is one, will become more evident as the economy works its way through 1991.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'90	*3 Q.'90*	*2 Q.'90*	*3 Q.'89*
Employment *(in thousands)*				
Employed, no. of residents	212.7	136	139	137
Unemployed, no. of residents	10.2	103	102	90
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	222.9	134	137	134
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	179.8	127	128	127
Srv. Prod. only, no. of jobs	109.5	145	146	142
Goods Prod. only, no. of jobs	70.3	106	107	109
Hrs. worked by production workers in mfg., ave. weekly	41.5	101	100	102
Industrial electric power sales	***	106	105	109
Construction contracts awarded *(in millions of dollars)*	'90 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	164.1	−12		
Nonresidential contracts only	84.7	+49		

[1]Adams and York Counties

As of right now, it is doubtful that trends will deteriorate considerably.

The most noticeable signs of weakness in the region's economy are found in recent labor force developments. Third quarter employment is down 0.5 percent from a year ago. There was a pronounced drop in third quarter employment after seasonal adjustment, to its lowest level since the final quarter of 1988. The jobless rate, at an unadjusted 4.7 percent, is up 1.3 percentage points from a year ago. Statewide, the jobless rate is up by about one-half that amount. Still, through the first nine months of the year, employment is hovering at or near record high readings and joblessnes still remains quite low relative to much of the rest of the State. While there are definite signs of weakness, overall conditions could be considerably worse approximately eight years into the current economic expansion.

York

For the fourth time in the past six quarters, seasonally adjusted employment in the York metropolitan area is down during the July-September period. In unadjusted terms, employment is off by 1,600 from second quarter readings. A gain of 3,500 is typical for this time of the year based upon historical seasonal trends. Partly as a result of the sluggish showing on the part of employment, joblessness is on the rise. Through the year's first nine months, the number of residents officially listed as without a job is up by 1,900 compared to the same period in 1989.

Further signs of the weak employment situation are apparent in recent nonfarm job trends. For the year, jobs are up 0.7 percent, roughly one-fourth of the averge increase from the previous six years. Even the service producing sector is showing some signs of softness. After seasonal adjustment, jobs in these industries were unchanged in the second quarter from the first three months of the year. The third quarter brought with it a decline in adjusted job totals. Still, the bottom line is that these industries are home to 3,200 more jobs this year than during the same period a year ago, so it is best not to look too negatively upon recent trends.

The situation on the goods producing side is a different story. There has been a pronounced downtrend in jobs in these establishments since the beginning of 1989. Between January 1989 and September 1990, seasonally adjusted goods producing jobs are off by 3,800. Manufacturing accounts for the bulk of recent job losses. So far this year, job readings are down 2,500 from 1989 readings. Trends in both the average factory workweek and sales of electricity to industrial customers also point to some weakness in the factory sector. Construction indicators are mixed. While job levels and the value of nonresidential contracts are up, residential contract values are down. The number of new housing units authorized by permit in Adams County are unchanged from a year ago through the first nine months of the year.

In all likelihood, ... ll trends will change very little in coming months. A t oest, the region will realize minimal overall economic growth. A rebound in the pace of economic growth can, for the moment, confidently be ruled out. The fundamentals for a reversal, most notably a healthy national economy, are simply not in place.

— William D. Anderson

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